



# Croatian Enterprise Promotion Activity

*Quarterly Report for 1st Quarter, 2002*

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## **1.0 EXECUTIVE SUMMARY**

### **1.1 Project Background**

On September 28, 2001 Deloitte Touche Tohmatsu Emerging Markets, Ltd. (DTTEM) and the United States Agency for International Development (USAID), through its Regional Contracting Office (RCO), signed contract #160-C-00-01-00108-00 (“the Contract”) for the implementation of the Croatian Enterprise Promotion Activity (“CEP” or “the Project”).

The purpose of the CEP is to provide technical assistance aiming at removing constraints and market failures impeding the smooth and affordable provision of expert business consulting services and financial products to Croatia’s small and medium enterprises (SMEs).

The CEP will support USAID/Croatia's Strategic Objective 1.3 - Growth of a Dynamic and Competitive Private Sector. The intermediate results include:

IR 1.3.2 Strengthened Capacity of SMEs to Operate and Compete

IR 1.3.2.1 Adoption of Improved Technologies

IR 1.3.2.2 Increased Access to Financing

IR 1.3.2.3 Strengthened Business Associations

This report summarizes our activities and overall progress for the fourth quarter, 2001. It is provided in accordance with Section F.4.d, Technical Reports, and Section G.5 Periodic Progress Reports of the Contract.

### **1.2 Progress Summary**

See sections 2 and 3 (below).

### **1.3 Outstanding Issues and Concerns**

No issues at present.

## **2.0 PROJECT MANAGEMENT AND ORGANIZATION**

The following are the major activities that took place in team mobilization and project organization during the quarter.

## **Staff**

Barrie Evans, CEP Team Leader for Quality Management, conducted his first visit February 4 – March 8.

Zarko Bastovanovic conducted a short term assignment to assist in the planning and development of ISO and HACCP training materials.

## **2.2 Project Organization**

- **Home Office Support:** Staffing of home office management team was completed with addition of Stephen Carpenter.
- **Project Office:** The project office was fully equipped and furnished.

## **3.0 PROGRESS OF DELIVERABLES**

### **3.1 Overview**

Activities during the current reporting period primarily included:

- market research
- relationship-building with principal partner organizations
- organization of project data bases
- initiation of activities under each major project component.

### **3.2 Summary of Key Activities**

CEP conducted the following activities during the reporting period.

**Assembly of Advisory Group.** Completed the selection of the project Advisory Group, totaling seven members, and including representation from several industry sectors and consulting firms.

**Survey Research Services for End User Study.** Signed a subcontract with a local survey research firm for a face-to-face survey of 200 manufacturing and service firms, to determine past and future use of consultants. The subcontractor, GFK, completed sample selection and questionnaire design, and mailed introductory letters to prospective respondent enterprises, with telephone follow up and interviewing scheduled for April.

**First Set of Training Materials.** Began development of the first package of training materials, which are being designed for the food industry, and will focus on Hazard Analysis and Critical Control Points (HACCP). The materials will be pilot tested with a group of consultant trainees in the month of May.

**SRO Feasibility Study.** Completed and submitted a study of the feasibility of establishing a self-regulatory agency for consultants, which will set standards for consultants, and test and certify consultants against those standards. The SRO will be supervised by and physically co-located with the Croatian Employers Association (HUP), our principal partner.

**Small Business Promotion Agency Planning Study.** Mr. Arvind Nande, a small business promotion specialist, conducted a four-week assignment for the Ministry of Crafts and SMEs to establish an implementation plan for the new Small Business Promotion Agency. He prepared and submitted a report recommending a structure and scope of services for the new Agency, based on a comparative analysis of similar agencies in six countries in Europe and North America.

**Study Tour.** Recommended and made arrangements for a study tour to Ireland, to take place in the month of June, for approximately ten representatives of the Ministry of Small and Medium Enterprises, the new Agency, and other public and private sector representatives of the SME sector. The purpose of the tour is to view the operations and structure of the Irish small business promotion agency, Enterprise Ireland, and several of its affiliate county-level organizations.

**HUP Cooperative Agreement.** Signed a cooperative agreement with Croatian Employers Association (HUP), specifying the major areas of cooperation (attached). Conducted first joint activities with letters to membership announcing the program and end user research planned; also, wrote an article on same for their monthly newsletter.

**Consultant and Association Data Bases.** Constructed a consultant data base and mailing list with 350 entries, and a similar list for business associations. The consultant data base will be used as the source list for inviting and selecting attendees for all CEP training seminars.

**Inventory of Business Associations:** During January and February, CEP staff conducted an inventory of business associations representing SMEs, and in particular, the key industries of interest to CEP. This survey identified the associations' membership, structure and services to members. We also used the interviews as an opportunity to discuss the major activities of CEP and explore means of cooperation, including product development, training, and establishment of an SRO and consulting industry standards. A total of twenty-two interviews were conducted. and a report on results submitted during the first week of March.

**Consulting Industry Inventory:** During January, we completed and submitted a report on the results of an inventory of Croatian business consultants. The inventory focused on services provided, training and technical assistance products used, capabilities and needs. In total, 28 face-to-face interviews were conducted, selected from a list compiled from the Croatian Consultant Network, the Ministry for SMEs and other Internet sources. Results of the survey validated the basic premises of the project design, specifically that business consultants require better training and technical assistance products in order to improve penetration of potential SME consulting markets.

### 3.3 Activities Planned for Next Reporting Period

The following activities will be conducted during the next quarter:

**Advisory Group.** Conduct first quarterly meeting of Project Advisory Group (April 10).

**HACCP Pilot Program.** Continue development of HACCP materials, and test materials in pilot training seminar the week of May 20-24. Continue planning and conduct practicum at meat processing plant(s).

**SRO.** Work with HUP to complete implementation action plan and schedule for establishment of a self-regulatory organization to administer training and certification programs. Incorporate SRO and establish operating structure.

**End User Study.** Complete survey, analyze the data, and prepare research report for USAID and summary materials for publication.

**Comprehensive Training Materials Development and Training Plan.** Based on the result of the end user survey, finalize the work plan for the remainder of the project.

**Sector Plan for the Food Industry.** Using short-term assistance by food industry expert, prepare a plan for assistance to the food processing industry.

**Food Association Cooperation Agreement.** Sign a cooperation agreement with the independent Croatian Food Association and begin joint activity – survey their members for training needs and HACCP interest.

**Promotion Activities.** Participate in demand-stimulating events, including making presentations at seminars and conferences.

**SME Lending Program.** Discuss SME lending program concept with interested banks, with goal of selecting a bank to work with in design and implementation of a pilot program.

**Training Materials Development.** Continue modification of training materials in ISO quality standards, marketing, restructuring and consulting skills in preparation for next round of pilot trainings.

**Policy studies.** Undertake a policy study in creation of a secondary market for secured debt instruments.

## **4.0 BUDGET AND CONTRACT ADMINISTRATION**

This section summarizes budget and contract administration information and issues during the quarter.

### **4.1 Budget**

Through the end of the quarter, CEP had spent approximately 10 percent of the total project budget.

### **4.2 Contract Administration**

During the quarter, there were no prime contract modifications. Deloitte Emerging Markets negotiated and signed subcontracts with the three subcontractors that were identified in our proposal: Deloitte Central Europe, The Services Group, and the International Executive Services Corp. A subcontract was also signed with a Croatian consulting firm (Consultor) to assist with the planning and development of the forthcoming ISO quality assurance training program.

## **5.0 OUTSTANDING ISSUES AND CONCERNS**

CEP staff is addressing the following areas that present the greatest challenges for the overall success of the project:

- Stimulation of demand among end users of the consulting services (enterprises)
- Organization of a sustainable SRO and viable certification programs.

These objectives will continue to receive priority attention as the project develops.